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AMEMBASSY MANILA

AMEMBASSY PHNOM PENH

AMEMBASSY RANGOON

AMEMBASSY SAIGON

AMEMBASSY SINGAPORE

AMEMBASSY TAIPEI

AMEMBASSY TOKYO

AMEMBASSY VIENTIANE

AMEMBASSY WELLINGTON

USLO PEKING

CINCPAC HONOLULU HI

AMEMBASSY MOSCOW

S E C R E T SECTION 1 OF 2 HONG KONG 10771

CINCPAC FOR POLAD

E.O. 11652: XGDS-2

TAGS: PFOR, CH, XC

SUBJ: CHINA AND SOUTHEAST ASIA

SUMMARY: THE "GREAT REORGANIZATION OF WORLD FORCES" IN THE LAST
FEW YEARS HAS DRASTICALLY RESHAPED PEKING'S VIEW OF WORLD POWER
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RELATIONS IN SEA AS ELSEWHERE. STABILITY IN SEA, THE CHINESE
BELIEVE, WILL FURTHER THEIR OWN SECURITY INTERESTS IN THE AREA,
MINIMIZE OPPORTUNITIES FOR THE USSR, CONSTRAIN JAPANESE POLITICAL
INVOLVEMENT, AND SET THE STAGE FOR A GRADUAL WITHERING OF US

MILITARY PRESENCE. THE PRC'S MAIN CONCERN IS TO COUNTER SOVIET EFFORTS TO FILL THE VACUUM, REAL OR IMAGINED IN SEA. CONSEQUENTLY WHILE THE PRC PROBABLY DOES NOT SEE US MILITARY POWER IN SEA AS STRATEGICALLY NECESSARY TO COUNTER SOVIET FORCES, IT WISHES TO AVOID HASTY OR CHAOTIC WITHDRAWAL WHICH WOULD CREATE APPREHENSION. PEKING ALSO RECOGNIZES THAT JAPAN WILL PLAY AN INCREASINGLY INFLUENTIAL ROLE IN SEA, BUT IT HOPES TO RESTRICT THIS POSITION AS MUCH AS POSSIBLE TO THE ECONOMIC PLANE. WHILE FAVORING NEUTRALIZATION PEKING SEEMS REALISTIC ABOUT ITS PROSPECTS AND SEEKS TO PROMOTE ACCOMMODATION IN THE AREA ON A BILATERAL BASIS. THE FOLLOWING ANALYSIS DEALS WITH CHINA'S VIEW OF POWER RELATIONS IN SEA. A SUBSEQUENT REPORT WILL DISCUSS THE PRC'S ATTITUDE TOWARD INSURGENCIES AND OVERSEAS CHINESE IN THE REGION AS WELL AS ITS DIFFERENCES WITH THE DRV. END SUMMARY

1. CHINA'S PRIMARY CONCERN IN REGARD TO SEA IS TO PREVENT ANY COUNTRY IN THE AREA FROM FALLING UNDER HOSTILE INFLUENCE AND, IN PARTICULAR, TO PRECLUDE ANY ONE POWER ESTABLISHING HEGEMONY IN THE REGION. AT THE SAME TIME, CHINA ITSELF NATURALLY SEEKS TO EXERT AS MUCH INFLUENCE AS POSSIBLE.

2. FOR MOST OF THE 1950'S AND 1960'S PEKING SAW THE US AS A HOSTILE FORCE ATTEMPTING TO ISOLATE SEA FROM ANY PRC INFLUENCE AND TO USE IT AS A BASE FOR PENETRATION, INTELLIGENCE, AND PARA-MILITARY OPERATIONS AGAINST CHINA. IN ADDITION, SEATO WAS VIEWED AS A DEVICE FOR PROVIDING THE US A RING OF MILITARY ALLIES AND BASES ENCIRCLING CHINA AND SUPPORTING DIRECT AMERICAN INTERVENTION AGAINST COMMUNIST AND NEUTRALIST MOVEMENTS. ALSO, IN THE LATE 1960'S, THE PRC BELIEVED JAPAN WAS ON THE VERGE OF BEING DRAWN BY ITS ECONOMIC INTERESTS AND US PRESSURES TO ASSUME SECURITY RESPONSIBILITIES OVER KOREA AND TAIWAN AND, ULTIMATELY SEA.

3. "THE GREAT REORGANIZATION OF WORLD FORCES" IN THE LAST FEW YEARS HAS DRASTICALLY RESHAPED PEKING'S VIEW OF POWER RELATIONS IN SEA AS ELSEWHERE. RECENT MILESTONES IN THIS REORGANIZATION WERE THE EXACERBATION OF THE SINO-SOVIET DISPUTE, THE SHANGHAI COMMUNIQUE, THE CHOU-TANAKA COMMUNIQUE, AND THE AGREEMENTS ENDING THE WARS IN
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VIETNAM AND LAOS. CONCURRENT WITH THE US (AND BRITISH) RETRENCHMENT IN THE AREA AND JAPAN'S RELATED ACCOMMODATION WITH THE PRC, NEW INTEREST DEVELOPED AMONG SEA'S PRO-WESTERN REGIMES FOR AN ACCOMMODATION WITH CHINA. THERE ALSO OCCURRED A SHARP RISE IN SOVIET INFLUENCE AND INTEREST IN THE AREA.

4. THE CHINESE NOW SEE THE USSR AS HOPEING TO FILL WHATEVER PSYCHOLOGICAL IF NOT PHYSICAL VACUUM IS CREATED BY THE REAL OR IMAGINED DECLINE IN US POWER IN THE REGION. CHINA'S CONCERN WITH SOVIET INTENTIONS IN SEA IS, OF COURSE, PART OF THE PRC'S OVERALL PRE-OCCUPATION WITH COUNTERING WHAT IT PERCEIVES AS A LONG-TERM SOVIET STRATEGY OF BUILDING AN ASCENDANT WORLD POWER POSITION THROUGH NEUTRALIZING THE US AS A CONTENDER FOR HEGEMONY IN EURASIA AND ISO-

LATING CONTAINING CHINA CROUND ITS PERIPHERY (HONG KONG 6846). THE CHINESE SEE AN ASIAN ENCIRCLEMENT STRATEGY IN THE EXPANSION OF USSR NAVAL FORCES IN THE INDIAN AND PACIFIC OCEANS, IN MOSCOW'S POWER PLAY IN THE PAK-INDIAN WAR, IN SOVIET MEDLING IN WEST ASIA AND THE PERSIAN GULF, AND IN THE RESUGENT ATTEMPT TO FORMALIZE A SOVIET SECURITY ROLE IN ASIA THROUGH THE CONCEPT OF COLLECTIVE SECURITY. THE PRC PERCEIVES MOSCOW'S POLITICAL STRATEGY IN SEA AS PLAYING UPON LOCAL CONCERN OVER US POLICY AND EXPLOITING FEARS OF CHINESE SUBVERSION, AGGRESSION AND CHAUVINISM. IN ADDITION, AS SUGGESTED BY THE FRENCH AFTER POMPIDOU'S RETURN LAST MONTH FROM PEKING, THE CHINESE ARE ALSO CONCERNED WITH PRESUMED SOVIET DESIRES TO CREATE A HANOI-CENTERED INDOCHINA BLOC AS A BUFFER AND COUNTER TO CHINESE INFLUENCE.

5. CHINA'S

CURRENT EMPHASIS ON SPEEDING UP ITS INTERNAL DEVELOPMENT, INCLUDING EXPANDED IMPORTATION OF CAPITAL GOODS AND TECHNOLOGY HAS ALSO HAD AN IMPACT ON PRC INTENTIONS IN SEA. PEKING SEES THE REGION AS AN IMPORTANT GROWING MARKET FOR CHINESE GOODS. IN 1972 MORE THAN 10 PERCENT OF CHINA'S EXPORTS TO NON-COMMUNIST COUNTRIES WERE SHIPPED TO SEA. THUS, ANOTHER REQUIREMENT OF CHINA'S POLICY IN THIS AREA IS TO PROMOTE A FAVORABLE ENVIRONMENT FOR TRADE.

6. FINALLY, DOMESTIC POLITICAL DEVELOPMENTS IN CHINA HAVE ALSO AFFECTED THE PRC'S OUTLOOK. DURING THE CULTURAL REVOLUTION THE RADICALS AND LIN PIAO FAVORED OPEN SUPPORT FOR REVOLUTIONARY MOVEMENTS IN SEA AND ATTACKED THE PREVIOUS POLICY OF EMPHASIZING WHEREVER POSSIBLE
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BETTER STATE RELATIONS AT THE EXPENSE OF THE INTERESTS BOTH OF MAOIST INSURGENTS AND OVERSEAS CHINESE. IN PART THIS RADICAL LINE WAS A POLITICAL ATTACK ON THE POLICY MAKERS OF THE 1950'S, INCLUDING CHOU EN-LAI. THE PURGE OF LIN PIAO AND THE LEADING RADICAL FIGURE, CHEN PO-TA, THAS RESTORED EFFECTIVE CONTROL OF FOREIGN, OVERSEAS CHINESE, AND INTERNATIONAL COMMUNIST AFFAIRS TO CHOU EN-LAI AND THE LESS DOCTRINAIRE WING OF THE CCP.

7. JAPAN:

SINCE THE NORMALIZATION OF SINO-JAPANESE RELATIONS ONE YEAR AGO, THE PRC HAS CONSISTENTLY AVOIDED ATTACKING JAPANESE GOVT POLICY OR ECONOMIC ACTIVITY IN SEA. THIS CONTRASTS WITH PREVIOUS CHINESE WARNINGS ABOUT A NEW JAPANESE-DOMINATED "CO-PROSPERITY SPHERE" IN THE REGION. CHINESE LEADERS, HOWEVER, CONTINUE TO EXPRESS CONCERN THAT ECONOMIC CRISIS OR SHARP CHANGES IN POWER RELATIONSHIPS IN THE PACIFIC--SPECIFICALLY A JAPANESE LOSS OF CONFIDENCE, IN THE US DETERRENT--COULD TURN JAPAN TOWARD AN INTERVENTIONIST ROLE IN SEA. CONSEQUENTLY, INSTEAD OF ATTEMPTING TO UNDERMINE JAPANS POSITION IN SEA, PEKING HAS ACCEPTED THE REALITY OF A JAPANESE ROLE AND IS HOPING TO KEEP IT IN POSITIVE, PURELY ECONOMIC CHANNELS. ONE IMPORTANT GOAL, THEREFORE, IS TO AVOID REGIONAL DEVELOPMENTS WHICH MIGHT PROVOKE

JAPAN INTO AN ANTAGONISTIC RELATIONSHIP WITH CHINA.

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AMEMBASSY MOSCOW

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CINCPAC FOR POLAD

8. US BASES:

GIVEN THE FUNDAMENTAL CHANGES IN SINO-US RELATIONS AND THE PRC'S
FOCUS ON SOVIET INTENTIONS, PEKING PRESENTLY TAKES A BENIGN VIEW OF
US BASES IN SEA. PEKING MEDIA VERY SELDOM REFER TO THESE BASES
AND GENERALLY IGNORE LOCAL PROTEST AND CONTROVERSY OVER THEIR

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PRESENCE. PRIVATELY, CHOU EN-LAI AND OTHER CHINESE LEADERS HAVE SAID
THAT IN SOME AREAS OF ASIA A PREMATURE US WITHDRAWAL WOULD CREATE A

DANGEROUS VACUUM WHICH THE SOVIETS WOULD ATTEMPT TO FILL. CHOU, HOWEVER, HAS ALSO SAID THAT FOREIGN BASES IN THE AREA ARE INCOMPATIBLE

WITH NEUTRALIZATION. THE CHINESE MAY UNDERSTAND THE US DESIRE TO RETAIN BASES IN THAILAND AS LEVERAGE AGAINST THE DRV, BUT WE DO NOT BELIEVE THAT THIS IS A MAJOR FACTOR IN THE PRESENTLY PERMISSIVE CHINESE ATTITUDE TOWARD THESE BASES. ALSO, THERE IS NO EVIDENCE PEKING BELIEVES THAT US FORCES IN SEA SERVE THE SAME DETERRENT FUNCTION AS THEY DO IN WESTERN EUROPE. WITH THE PROBABLY EXCEPTION OF NAVAL BASES, THE CHINESE DO NOT SEE US MILITARY POWER IN SEA AS STRATEGICALLY NECESSARY TO COUNTER SOVIET FORCES. RATHER, PEKING IS CONCERNED ABOUT THE PSYCHOLOGICAL AND POLITICAL ASPECT OF A LESSENERED US PRESENCE. IN SHORT, THE PRC'S OBJECTIVE IS TO AVOID HASTY OR CHAOTIC WITHDRAWAL OF US FORCES WHICH WOULD CREATE APPREHENSION WHICH THE USSR MIGHT EXPLOIT.

9. THE PRC VIEWS SEATO AS MORIBUND, BUT CHOU EARLIER THIS YEAR TOLD THE NEW ZEALANDERS THAT ANZUS WAS IN A DIFFERENT, PRESUMABLY POSITIVE CATEGORY. THE CHINESE HAVE NEVER COMMENTED ON THE "FIVE POWER" DEFENSE ARRANGEMENT NOR HAVE THEY PUBLICLY REPORTED AUSTRALIA'S DECISION TO WITHDRAW ITS FORCES FROM MALAYSIA AND SINGAPORE. THIS ATTITUDE SUGGESTS THAT CHINA LOOKS ON THESE REGIONAL DEFENSE PACTS AS NO LONGER AIMED ESSENTIALLY AT CONTAINING CHINA BUT AS PERHAPS CONTRIBUTING MARGINALLY TO THE REGION'S SENSE OF SECURITY.

10. NEUTRALIZATION:

PEKING PROBABLY HOPES THAT SEA WILL EVENTUALLY MOVE TO A POLICY OF NEUTRALITY SIMILAR TO THAT OF BURMA, NEPAL AND CEYLON. IN PRIVATE, CHINESE LEADERS HAVE ENDORSED THE CONCEPT OF NEUTRALIZATION. ON THE OTHER HAND THE PRC RECOGNIZES THAT THE ELIMINATION OF ALL EXTERNAL MILITARY TIES IS A FAIRLY LONG-TERM PROSPECT, AND AS NOTED THEY ARE NOT CURRENTLY PUSHING FOR THE EARLY WITHDRAWAL OF US FORCES. PEKING PROBABLY WOULD NOT WANT FORMALLY TO ACCEPT THE PROPOSITION THAT A NEUTRAL ZONE CAN EXIST CONCURRENTLY WITH FOREIGN MILITARY BASES. MORE IMPORTANTLY, THE FORMULA OF GREAT POWER ENDOWEMENT FAVORED BY THE MALAYSIANS SUGGESTS THE LEGITIMACY OF A SOVIET ROLE IN SEA, AND IN PEKING'S VIEW THIS COULD OPEN THE DOOR TO FUTURE SOVIET INTERVENTION. AS CHOU TOLD A VISITOR IN MARCH,

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CHINA PREFERS TO PROMOTE COOPERATION IN THE AREA ON A STRICTLY BILATERAL BASIS.

11. REGIONAL PEACE:

THE PRC WAS BURNED IN ITS EFFORT TO BENEFIT FROM INDONESIA'S CONFRONTATION WITH MALAYSIA IN THE FIRST HALF OF THE 1960'S. TODAY, THE CHINESE DO NOT APPEAR TO SEE OPPORTUNITIES FOR THEMSELVES IN THE ESCALATION OF ANY OF SEA'S LATENT REGIONAL DISPUTES. AGAIN PEKING PROBABLY FEARS THAT THE USSR WOULD BE THE POWER MOST LIKELY TO PROFIT. FOR MORE THAN TWO YEARS THE PRC HAS NOT MENTIONED THE

CURRENT PHILIPPINE-MALAYSIAN DISPUTE NOR OTHER POLITICAL ISSUES
IN SEA.

12. CONCLUSION:

AS A RESULT OF A COMPLEX OF FACTORS THE PRC ONCE AGAIN IS SEEKING
A PERIOD OF RELAXATION AND STABILITY IN SEA AND IS CONCENTRATING ON
IMPROVEMENT OF STATE RELATIONS IN THE AREA. DESPITE DIPLOMACY
DELAY AND SOME WAVERING ON THE OTHER SIDE, PEKING SEEMS CONFIDENT
THAT WITHIN THE NEXT YEAR OR TWO IT WILL HAVE RELATIONS WITH MOST OF
THE SEA GOVERNMENTS. THE CHINESE APPARENTLY BELIEVE THAT STABILITY,
AT LEAST IN THE SHORT-TERM, WILL FURTHER THEIR OWN SECURITY INTERESTS
AND MAXIMIZE THEIR INFLUENCE IN THE AREA, MINIMIZE OPPORTUNITIES FOR
THE USSR, CONSTRAIN JAPANESE POLITICAL INVOLVEMENT, AND SET THE STAGE
FOR A GRADUAL WITHERING OF US MILITARY PRESENCE. THE CHINESE
DO NOT SEEM TO ENTERTAIN ANY GRANDIOSE AMBITIONS IN SEA FOR
THE FORESEEABLE FUTURE. THEY DO NOT EXPECT TO HOLD SWAY OVER
THE REGION NOR TO SEE ANY MAOIST INSURGENT GROUP COME
TO POWER. BUT IN THE MID-TERM THEY PROBABLY HOPE AT LEAST
TO GAIN A GENERAL INFLUENCE IN THE AREA EQUAL TO THAT OF ANY
ONE OF THE OTHER POWERS.

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